

**ACCELEWARE CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

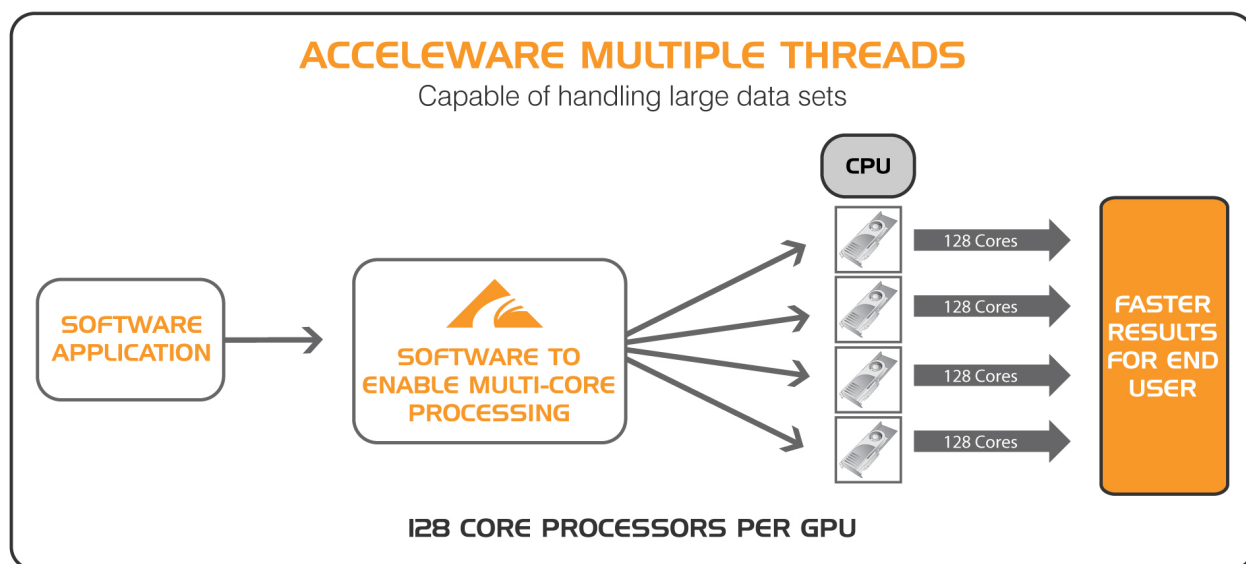
*This management's discussion and analysis focuses on key statistics from the financial statements and pertains to known risks and uncertainties relating to Acceleware Corp ("Acceleware" or the "Company"). This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion also includes various forward-looking statements regarding Acceleware and its future activities and financial results. These statements are based on certain assumptions that are considered reasonable by management. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties and actual results could differ materially from those indicated by such forward-looking statements. This discussion and analysis of the financial condition and results of operations for the year and three-month period ended December 31, 2007 should be read in conjunction with the audited financial statements for the year ended December 31, 2007. Management's discussion and analysis is presented as of April 25, 2008. All financial information contained herein is expressed in Canadian dollars unless otherwise indicated.*

### **Company Overview**

Acceleware is a high performance computing (HPC) company that sells a specialized combination of proprietary software and hardware that significantly reduces the computer processing time required for large scale mathematical calculations.

Acceleware solutions are deployed by major organizations worldwide to accelerate computer simulation and data processing applications in areas such as electronics, oil & gas, medical and security imaging, industrial and consumer product design, and academic research. Computing tasks in these fields can take several weeks to a year to complete, and represent a major bottleneck that prevents progress and innovation. Acceleware's solutions allow organizations to accomplish the same tasks in a matter of hours or a few days, and also allow organizations to tackle larger, more complex problems. By enhancing a client's ability to compute, Acceleware helps them to compete.

Acceleware's proprietary middleware interface allows existing software programs to utilize the multi-core computing platforms that are available today. The Company's proprietary solutions allow these existing software applications to leverage a combination of Graphic Processing Units (GPUs) and multi-core CPUs as mathematical co-processors. Through this technology, Acceleware has brought supercomputing to the desktop.



Today, most of the major mobile phone manufacturers in the world are using Acceleware's solutions to design their products more rapidly. Acceleware's third-generation multi-board GPU solutions can accelerate simulation and processing algorithms by over 35 times.

The turn key solutions developed by Acceleware can be easily integrated by software developers, saving them the expense and time of migrating their applications to high performance multi-core platforms. Acceleware improves the overall experience for end users of these applications by providing greater computing speed without the end user having to learn new skills or change their work processes. Acceleware's partners assist the Company in marketing its products to the end user.

Acceleware was founded in February 2004 by a group of graduate students and professors from the University of Calgary's Electrical Engineering department and became a public company on the TSX Venture Exchange in January 2006 through a reverse takeover of a shell company, Poseidon Capital Corp. As at December 31, 2007, Acceleware had 71 employees based in the Company's headquarters in Calgary, Alberta, including: 12 in administration; 9 in operations; 19 in sales, marketing, and product management; and 31 in research and development.

### **Overall Performance**

As at December 31, 2007, the Company had \$8,698,740 in working capital and no debt. Acceleware had recognized revenue of \$2,220,564 and deferred revenue of \$225,010 during the year ended December 31, 2007. To provide further clarity with regard to sales performance, Acceleware had overall gross margins averaging 42% during the year, which is below management's expectations of 50%. Gross margins are anticipated to improve in 2008. The Company recognizes revenue on approximately 90% of all sales and amortizes the remaining 10% of those sales (deferred revenue) into revenues over 13 months from the date of the sale. The Company had a net loss for the year ended December 31, 2007 of \$6,737,746 compared to a net loss of \$2,267,738 for the seventeen-months ended December 31, 2006 and expects to continue to have a net loss for 2008 fiscal year. The net loss increased, as the Company incurred additional costs to ramp up for future growth including additional staff and relocating to new facilities. In anticipation of market growth, the Company continued to add employees and in aggregate the Company has expanded from 30 personnel at December 31, 2006 to 71 at December 31, 2007.

Due to a GAAP requirement, the Company recognized an impairment of \$433,420 in the carrying value of its short-term investment in asset backed commercial paper ("ABCP") during 2007 (see note 4 of the audited financial statements for further details). The non-liquidity of the ABCP has also reduced the cash available to fund the Company's operations.

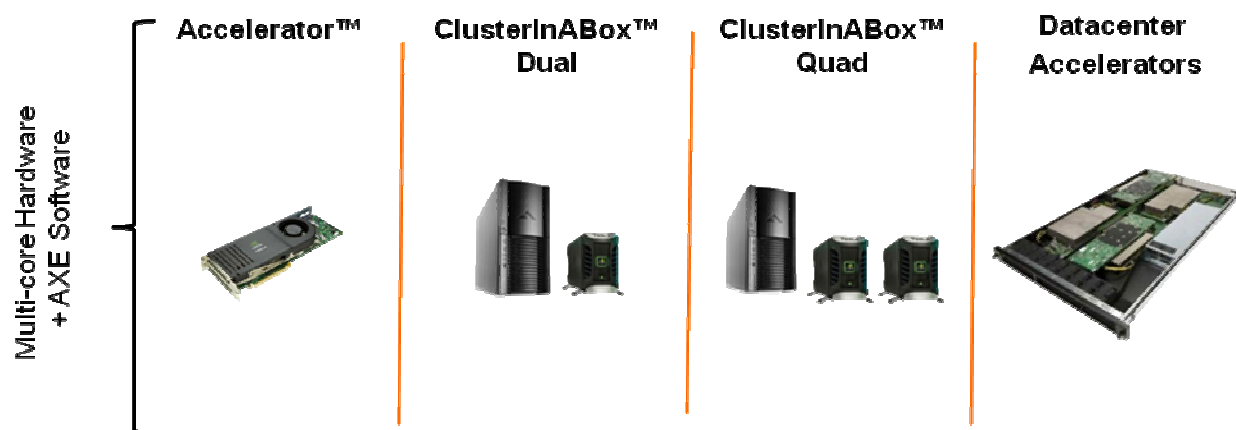
During the summer of 2007, the Company moved into a new 10,000 square foot office facility in Calgary. The facility has enough space to accommodate up to 100 employees, test laboratories, server facilities and inventory storage. Leasehold improvements to the facility during the year totalled \$590,320 that will be amortized over five years. Other major assets that were added during the year included server room equipment, test equipment and computers and furniture for employees.

Since 2004, Acceleware has been collaborating with NVIDIA. On January 22, 2007, NVIDIA invested \$2,925,000 in Acceleware and, in the process, became an insider of the Company. Acceleware granted NVIDIA a non-voting observer seat on Acceleware's board of directors.

During the year, the Company raised gross proceeds totaling \$16,022,250 in five private placements, including NVIDIA's investment.

## Strategic Update

Acceleware's revenues are derived largely from the sale of High Performance Computing hardware carrying its proprietary software solution. The Company currently sells the Accelerator, the ClusterInABox Dual, and the ClusterInABox Quad into the market. (Pictured below).



In 2007, this hardware was sold to end users primarily through channel partners or Independent Software Vendors ("ISV") in the electronics market that had integrated Acceleware's solution into their software packages. Acceleware currently works with some of the world's largest companies in the electronics market, which consists of mobile phone manufacturers, industrial electronics firms, and government organizations. ISVs are an important sales channel for Acceleware, and work with the Company's sales force by selling on Acceleware's behalf, co-selling with Acceleware's sales people, or referring potential customers to Acceleware. In 2007, Acceleware's ISV partners included companies such as Schmid & Partner Engineering AG, Agilent Technologies, and Computer Simulation Technology.

To drive future sales growth, Acceleware will work to add new ISV partnerships. In addition to expanding the Company's potential customer base, new ISV partnerships also provide Acceleware with additional reselling agents who are strongly incented to cross-sell Acceleware's products alongside their software solutions. Subsequent to December 31, 2007, Acceleware entered into a partnership agreement with Synopsys, Inc.

In addition to adding ISV partners, Acceleware is working to deliver new products and solutions to address the needs of a larger proportion of the installed base of its ISV partners. The Company is continuously improving its software and hardware acceleration products and expects to continue to release improved products with significant increases in performance every year. Based on customer needs, Acceleware is also continuing the development of its datacenter accelerator solutions (Pictured above right) that are designed to be installed in server rooms. The Datacentre Accelerator. represents a quantum leap in price point potential compared to the Company's desktop solutions, and will be an important addition to Acceleware's portfolio of hardware accelerated solutions.

Entering new vertical markets is an important source of growth. On January 30, 2008 and March 7, 2008, the Company launched product solutions into the seismic and imaging markets and will continue to develop improvements to the product and mature the marketing and business development of these markets throughout 2008. The seismic data acceleration solution, with dense packaging and improved economics in power and cooling, provides a multi-fold performance increase that reduces lengthy processing times and enables expedited drilling decisions for the oil and gas industry. AxRecon, the Company's image reconstruction solution for the medical imaging, security and non-destructive testing markets, reduces the time required to complete this work from hours to minutes thereby speeding up imaging work flows. In both of these new markets, there is increased opportunity to market directly to end-users.

Management believes that adding new partners and increasing the proportion of the partners' end-users that can be addressed by Acceleware's solutions will drive revenue growth, strengthen Acceleware's competitive position in the market verticals where Acceleware operates, and help to establish market leadership. Management believes that market leadership in these verticals will result in higher sales penetration over the long-term, and the maintenance and protection of existing gross margins. Growth in the company's three vertical markets will be funded by operations, existing cash resources and investments in the Company and further financing as required from time to time. The Company will continue to finance operations and its growth strategy primarily through the sales of the Company's products and equity offerings of shares.

Acceleware's intellectual property is comprised of its proprietary algorithms, software algorithms and multi-core hardware interface that have been protected as trade secrets to date. Subsequent to December 31, 2007, Acceleware has hired an in-house patent engineer to explore strategic patents to protect Acceleware's intellectual property. To date, Acceleware is not aware of any infringements or threats upon its intellectual property.

### Selected Information

The audited financial statements for the twelve month period ended December 31, 2007 (the "Financial Statements") are incorporated by reference herein and form an integral part of Management's Discussion and Analysis. The Financial Statements can be found on [www.sedar.com](http://www.sedar.com). All financial information is reported in Canadian dollars unless otherwise noted.

The following table shows selected financial information for Acceleware's audited annual financial statements for the seventeen-month period ended December 31, 2006 and the year ended December 31, 2007 along with certain financial information for the periods ended July 31, 2005 and July 31, 2004. Readers are cautioned that there are inherent distortions in comparing a seventeen-month fiscal period with the other fiscal periods noted in the table.

	<b>Twelve Months Ended Dec 31, 2007 (Audited)</b>	<b>Seventeen Months Ended Dec 31, 2006 (Audited)</b>	<b>Twelve Months Ended July 31, 2005 (Audited)</b>	<b>Six Months Ended July 31, 2004 (Unaudited)</b>
Total Revenue	2,631,878	\$1,052,300	12,350	Nil
Net Loss	(6,737,746)	(\$2,267,738)	(\$167,543)	(\$157,090)
Loss Per Share	(\$0.20)	(\$0.13)	(\$0.03)	(\$0.01)
Total Assets	\$12,569,293	\$1,817,544	\$353,123	\$40,386
Long-Term Debt	Nil	Nil	Nil	Nil
Dividends	Nil	Nil	Nil	Nil

Acceleware recognized revenues of \$1,024,954 and \$2,631,878 for the three month period and year ended December 31, 2007, respectively. Over the same periods, the net loss increased to \$2,121,423 and \$6,737,746, respectively, as the Company increased its spending on research, development, sales and marketing activity, primarily through the hiring of additional staff and relocating to new office facilities to meet its business plan. As a result of funds received from private placements during the year, the total assets of the Company have increased significantly to \$12,569,293 as at December 31, 2007, compared to \$1,817,544 as at December 31, 2006.

### Results of Operations

During the year ended December 31, 2007, the Company reported revenues of \$2,631,878 compared to \$1,052,300 for the seventeen-month period ended December 31, 2006 for sales of the Company's hardware acceleration products. The increase in recognized revenue over the prior year was due to the addition of channel partner distributors and the resulting penetration with the target end-users of the Company's product; the introduction of higher priced products; and increased corporate sales and marketing resources. Cost of products sold for the year ended December 31, 2007 was \$1,383,369 compared to \$519,547 for the seventeen-month period ended December 31, 2006. Gross margin (excluding interest revenue of \$231,403) for the year ended December 31, 2007 was \$1,017,106 compared to \$510,568 (excluding interest revenue of \$22,185) for the seventeen-month period ended December 31, 2006. Gross margin was materially impacted in the fourth quarter due to a one-time charge to Cost of

Sales related to a write-down of field demonstration units at client sites that are available for sale. In the absence of this one-time charge, gross margins for the year ended December 31, 2007 would be 47%.

For the year ended December 31, 2007, research and development expenditures were \$2,046,045 compared to \$740,001 for the seventeen-month period ended December 31, 2006. For the current year, research and development costs include salaries, consulting fees and related costs of personnel directly engaged in these activities, direct materials and the combined benefit of \$127,288 (2006: \$167,087) of government assistance through the NRC - Industrial Research Assistance Program and scientific research and experimental development tax credits ("SR&ED"). Included in the research and development expenses for the year ended December 31, 2007 was \$76,375 in respect of stock-based compensation compared to \$49,044 for the seventeen-month period ended December 31, 2006. These research and development expenditures were incurred in the further development of the Company's existing and new hardware acceleration products and integration of the products with the Company's channel partners.

Sales, general and administrative expenses include all salaries (excluding research and development personnel) and related expenses (including benefits and payroll taxes); sales and marketing activities; facility costs; stock-based compensation; and professional fees. For the three-months ended December 31, 2007, the Company incurred sales, general and administrative expenses of \$1,510,419. The Company incurred sales, general and administrative expenses for the year ended December 31, 2007 totaling \$5,295,647 compared to \$1,987,379 for the seventeen-month period ended December 31, 2006. Included in the general and administrative expenses for the year ended December 31, 2007 was \$422,673 in respect of stock based compensation compared to \$141,467 for the seventeen-month period ended December 31, 2006.

The increase in both research and development expenditures and general and administrative expenses was primarily due to the increase in employees and sales and marketing activities from the prior year.

Overall, the Company had a net loss of \$6,737,746 for the year ended December 31, 2007 compared to a net loss of \$2,267,738 for the seventeen-month period ended December 31, 2006. The net loss for the three-month period ended December 31, 2007 was \$2,121,423 compared to \$701,316 for the three-month period ended December 31, 2006.

### Summary of Quarterly Results

The following table highlights revenue, net income and loss per share for the eight most recently completed quarters ended December 31, 2007. Financial statements for those quarters prior to the reverse takeover effective January 12, 2006, have not been prepared for Acceleware and therefore are not presented in this MD&A. As a result, quarterly results for the three months ended March 31, 2006 are not presented (December 31, 2005 financial information for Acceleware was not prepared).

	Year 2007				Year 2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	1,024,954	644,023	596,060	366,841	\$260,113	136,151	\$311,424	N/A
Net income/(loss)	(\$2,121,423)	(\$1,795,667)	(\$1,644,729)	(\$1,175,927)	(\$701,316)	(\$564,840)	(\$357,181)	N/A
Earnings/(loss) per share	(\$0.06)	(\$0.05)	(\$0.05)	(\$0.06)	(\$0.03)	(\$0.03)	(\$0.02)	N/A

During the quarter ended December 31, 2007, the Company reported revenues of \$1,024,954 compared to \$260,113 for the quarter ended December 31, 2006 for sales of the Company's hardware acceleration products. The increase in recognized revenue was due to the addition of channel partner distributors and the resulting penetration with the target end-users of the Company's product; the introduction of higher priced products; and increased corporate sales and marketing resources. The net loss was \$2,121,423 for the three months ended December 31, 2007 compared to a net loss of \$701,316 for the three months ended December 31, 2006. The increase in net loss was due to increased spending on research, development, sales and marketing activity, primarily through the hiring of additional staff to meet its business plan. Gross margin was materially impacted in the fourth quarter due to a one-time charge to Cost

of Sales related to a write-down of field demonstration units at client sites that are available for sale. In the absence of this one-time charge, gross margins for the year ended December 31, 2007 would be 47%.

## **Liquidity and Capital Resources**

### ***Operating Activities***

Cash flow used for operations totaled \$6,023,505 for the twelve months ended December 31, 2007, compared to \$2,363,936 for the seventeen months ended December 31, 2006. As a result of increased sales during the year, accounts receivable increased to \$1,198,480 as at December 31, 2007 compared to \$494,131 as at December 31, 2006. The increase in recognized revenue and deferred revenue over the prior year was due to the addition of channel partner distributors and the resulting penetration with the target end-users of the Company's product; the introduction of higher priced products; and increased corporate sales and marketing resources.

Inventories increased to \$1,077,306 as the Company acquired parts to assemble its acceleration hardware for its expanding product portfolio, prepared to diversify into markets such as oil & gas and medical and security imaging and commenced staging for the next quarter's sales.

Maintenance revenue for hardware and software sales are deferred and recognized to income over the term of the contracts or approximately over 13 months for most initial product sales and subsequent maintenance contract sales. Revenue of \$225,010 was deferred, of which \$188,819 will be recognized over a period of one year or less and the remaining \$36,191 over approximately 5 years.

Cash flow used for operations for the three-month period ended December 31, 2007 was \$1,282,828. As at December 31, 2007, the Company had current liabilities of \$1,402,414 compared to current liabilities of \$398,604 as at December 31, 2006. The increase in current liabilities was due to regular trade payables which consist of inventory and marketing expenses incurred near the end of the quarter, as well as increasing accrued payroll liability for employee vacation entitlements and the set-up of deferred revenues.

### ***Investing Activities***

On July 10, 2007, the Company invested a portion of its uncommitted funds for approximately 30 days in highly liquid, R1 High rated, third-party sponsored ABCP. This investment was not repaid upon its maturity on August 16, 2007. Instead, the entire ABCP market in Canada experienced liquidity problems and effectively froze-up. As at December 31, 2007, the Company held \$1,444,733 in ABCP investments for which no payment was received. Using the best-available information at the date of this report, the Company was required by Canadian GAAP to estimate the fair value of these investments as at December 31, 2007 and to consider impairment if and as warranted by market factors. While there is no observable, reliable active-market information available, the Company has recorded an estimated impairment of approximately \$433,420 in 2007 against its ABCP investment due to market uncertainty and current illiquidity for a net carrying value of \$1,011,313. Once known, the actual impairment, if any, may be materially greater or less than this estimate (see Risks and Uncertainties and notes 4 and 9 to the audited financial statements for further details).

Capital asset additions, consisting generally of leasehold improvements, computer equipment and furniture totaled \$1,407,492 for the twelve months ended December 31, 2007, compared to \$416,908 for the seventeen-month period ended December 31, 2006. For the three-month period ended December 31, 2007, capital asset additions were \$98,962.

### ***Financing Activities***

The Company has financed operations, research and development and capital expenditures primarily through the sales of the Company's products, equity offerings of shares and government assistance and tax credits from NRC and SR&ED respectively. Net proceeds from the issuance of Common Shares and warrants totaled \$15,986,636 for the twelve months ended December 31, 2007 compared to \$2,452,011 for the seventeen-month period ended December 31, 2006. Included in those net proceeds was \$80,720 for the twelve months ended December 31, 2007, compared to \$119,770 for the seventeen-months ended December 31, 2006 by way of exercise of options.

For the total of \$16,022,250 in gross equity offerings completed in 2007, the Company incurred a total of \$5,511,360 in share issuance costs (cash costs of \$1,240,974 and non cash costs of \$4,270,386). In 2006, the Company completed gross proceeds from the sale of common shares of \$2,556,024 and incurred share issuance costs of \$201,401 (cash costs: \$133,301 and non-cash costs: \$68,100, with \$51,300 allocated to Agent options and \$16,800 allocated to shares issued to the Agent).

Acceleware's cash and cash equivalents increased to \$6,196,894 as at December 31, 2007, compared to \$626,996 at December 31, 2006. As at December 31, 2007, the Company had a working capital surplus of \$8,698,740, compared to \$1,060,808 at December 31, 2006. The Company had no debt as at December 31, 2007 and December 31, 2006.

#### ***Sources and Uses for Cash***

The Company generates cash flow from the sale of products to distributors and a small number of end-user customers as well as from interest income. Even with, the aforementioned contributions to cash, the Company will still need to obtain additional working capital within the year to continue operations as planned. Absent additional working capital through a financing, and/or the ability to access the third-party sponsored ABCP the Company may be required to adjust the course of its business plan.

#### ***Income Tax Valuation Allowance***

The Company follows the liability method with respect to accounting for income taxes. Future tax assets and liabilities are determined based on differences between the carrying amount and the tax basis of assets and liabilities (temporary differences). Future income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to reverse. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

As at December 31, 2007, the potential tax benefits of our available tax pools have not been recognized in our account due to uncertainty surrounding the realization of such benefits. Please see note 8 in the audited financial statements for more details.

#### ***Subsequent Events***

On February 5, 2008, Acceleware Corp. granted to an Officer 100,000 options to acquire common shares of Acceleware. The options have an exercise price of \$0.82 per share and expire on February 5, 2012. Ten percent of the options will vest immediately, thirty percent will vest on February 5, 2009, thirty percent will vest on February 5, 2010 and thirty percent will vest on February 5, 2011. On February 8, 2008, Acceleware Corp. granted to certain employees an aggregate of 92,500 options to acquire common shares of Acceleware. The options have an exercise price of \$0.80 per share and expire on February 8, 2012. Ten percent of the options will vest immediately, thirty percent will vest on February 8, 2009, thirty percent will vest on February 8, 2010 and thirty percent will vest on February 8, 2011.

On March 14, 2008, the Pan-Canadian Committee announced its intention to file an application on March 17, 2008 in the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act, asking the Court to call a meeting of ABCP noteholders to vote on the Committee's restructuring plan involving 20 trusts, including those in which Acceleware holds notes. On March 17, 2008 the Committee announced that the Court had approved the application. The Company intends to examine the restructuring plan and amendments in detail prior to any decision to as to how it might vote.

#### ***Off-Balance Sheet Arrangements***

##### ***Guarantees***

Generally, while it is not the Company's policy to issue guarantees to third parties, Acceleware has entered into certain such agreements as more fully described in Note 11 to the Financial Statements. As of December 31, 2007, the Company believes that it is remote that the indemnification provisions described therein would require any

material cash payment. As is the case with any business, the Company may be subject to certain regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business.

## **Risks Factors and Uncertainties**

Management defines risk as the probability of a future event that could negatively affect the financial condition and/or results of operations of the Company. The following section describes specific and general risks that could affect the Company. As it is difficult to predict whether any risk will be realized or its related consequences will occur, the actual effect of any risk on the business could be materially different from that anticipated. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware.

### ***Dependence on Market Growth***

The overall market for special purpose hardware accelerators has experienced growth in recent years. There can be no assurance that the market for the Company's existing products will continue to grow or that the Company will be successful in establishing markets for its products. If the various markets in which the Company's products compete fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its products or the Company's products do not gain market acceptance, the Company's business, operating results and financial condition could be materially adversely affected.

### ***Competition***

The market for hardware accelerators is competitive. Acceleware has experienced and will continue to experience intense competition from other organizations with more established sales and marketing presence, superior technical support services and greater financial resources. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. As the market for the Company's products continues to develop, additional competitors may enter the market and competition may intensify. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have an adverse effect on the Company's business, results of operations and financial condition.

### ***Failure to Manage Growth Successfully***

In the event that the Company's business grows rapidly, the growth may place a strain on managerial and financial resources. Such expansion may result in substantial growth in the number of its employees, the scope of its operating and financial systems and the geographic area of its operations, resulting in increased responsibility for both existing and new management personnel. The Company's future growth will depend upon a number of factors, including the ability to:

- Acquire and train sales and marketing staff to expand Acceleware's presence in the evolving marketplace for the Company's products, and keep staff informed regarding the technical features, issues and key selling points of the Company's products;
- Attract and retain qualified technical personnel to continue to develop reliable and scalable solutions and services that respond to evolving customer needs and technological developments;
- Maintain high quality customer service and support as sales increase; and
- Expand the Company's internal management while maintaining appropriate financial controls over operations and providing support to other functional areas within the Company.

The Company's inability to achieve any of these objectives could harm the Company's business, financial condition and operating results and prospects.

### ***Reliance on the Company's Primary Products***

The Company's business is essentially dependent on the marketability of Acceleware's current products, which include the Accelerator™ and ClusterInaBox™. The Company's current operations consist of marketing its primary products.

### ***Investments – Measurement Uncertainty of ABCP***

As at December 31, 2007, the Company had \$1,444,733, invested in short-term ABCP (rated at the time of purchase by Dominion Bond Rating Service as “R1-High”, the highest credit rating for this type of investment). This ABCP was issued by limited purpose trusts sponsored and managed by non-bank entities. These obligations typically have terms of less than 365 days, and repayment of a maturing ABCP is dependent on the cash generated by the trusts’ underlying assets and the ability of the trusts to issue new ABCP. In mid-August 2007 a number of sponsors of non-bank managed ABCP, including those in which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets.

As a result, the non-bank ABCP market is currently the subject of an agreement signed August 16, 2007 among a number of affected parties. This agreement, referred to as the “Montreal Proposal”, contemplates some form of a restructuring of ABCP with the expressed intention of replacing the investments with long-term floating rate notes with characteristics that more closely relate to their underlying assets. While the Company is not a signatory to the Montreal Proposal, the Company is directly, and through counsel, is monitoring the activities of a committee formed to implement the restructuring.

At this time, there is no market for the ABCP we hold and the funds cannot be accessed until such time as the restructuring referred to above has been completed or some other solution is found. The Company is unable to definitively determine if and when this may occur, however, management believes that restructuring will occur by the end of May 2008 and liquidation of our holdings will occur within the next 12 months. As required by Section 3855 of the Canadian Institute of Chartered Accountants’ (CICA) Handbook (Canadian GAAP), the Company has re-classified these investments from short-term investments to long-term investments as at September 30, 2007 and, based on the limited quantitative and qualitative information available, we have estimated an impairment of the ABCP as at December 31, 2007 of \$433,420 which may be greater or less than any eventual impairment recognized at the time of sale of the investments (see note 4 to the audited financial statements).

### ***Lengthy Sales Cycle – Channel Partner Distributors***

The Company’s channel partner (distributors) integration/sales cycle, beginning with an interested channel partner that technically integrates with the Company and culminating in a commercial agreement with the channel partner, is expected to range from six to twelve months and may be significantly longer. Once the integration period with the channel partner is completed, the actual “sales” cycle to the channel partner’s customers is relatively short - a matter of weeks or a few months. The lengthy integration cycle with the channel partner and the limited access to the channel partners customers (arising from how the channel partner distribute products and services) limits the Company’s ability to forecast the timing and amount of specific sales in a particular quarter and will likely continue to cause significant fluctuations in its quarterly operating results. Because of these fluctuations, management of the Company believes that neither its past performance nor period-to-period comparisons of its operating results are, or may be, a good indication of its future performance. If the Company’s operating results for a particular period fail to meet investor expectations that are based on the Company’s past performance or on period-to-period comparisons of the Company’s operating results, the Company’s share price could decline. This cycle is also subject to a number of significant delays over which Company will have little or no control.

### ***Failure to Adapt to Technological Change and New Product Development***

The hardware development industry is characterized by rapid technological change and the frequent introduction of new products. Accordingly, management of the Company believes that the future success of the Company depends upon its ability to enhance current products or develop and introduce new products. The Company’s inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company’s business, results of operations and financial condition. The ability of the Company to compete successfully will depend in large measure on its ability to maintain a technically competent research and development staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products with evolving computer hardware and software platforms and operating environments. There can be no assurance that the Company will be successful in these efforts.

***Risk Associated with International Operations***

Management of the Company believes that its continued growth and profitability will require additional expansion of its sales in foreign markets. This expansion has required, and will continue to require, significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, hire additional personnel and recruit international resellers. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel and international resellers, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services.

***Risk Associated with Currency Fluctuations***

In the future, it is expected that a portion of revenues may be realized in other foreign currencies as a result of international sales. Fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the U.S. dollar, may have a material adverse effect on the Company's results of operations, financial condition and any business prospects. The Company currently has no hedge in place on its foreign currency exposure.

***Risk Associated with a Change in the Company's Pricing Model***

The competitive market in which the Company conducts business may require the Company to change its pricing model. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would likely result in a reduction of gross margins and could adversely affect the Company's operating results.

***Dependence on Key Personnel***

The success of the Company is largely dependent on the performance of its key employees and directors. Failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Company's growth and profitability. Competition for highly skilled management, and technical and other employees is intense. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure or death of any of the members of the Company's executive team and key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

***Risks of Acquisitions Negatively Impacting the Company***

In the future, the Company may engage in selective acquisitions of products or businesses that management of the Company believes would be complementary to its existing products. There is a risk that the Company will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into the Company's operations. Acquisitions may involve a number of other risks, including: diversion of management's attention; disruption to the Company's ongoing business; failure to retain key acquired personnel; difficulties in integrating acquired operations, technologies, products or personnel; unanticipated expenses, events or circumstances; assumption of disclosed and undisclosed liabilities; and inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

If the Company does not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, if the Company proceeds with an acquisition paid by cash, it may diminish the Company's liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

***Intellectual Property Risks***

Because much of the Company's potential success and value lies in its ownership and use of intellectual property, its failure to protect its intellectual property may negatively affect its business and value. The Company's ability to compete effectively is largely dependent upon the maintenance and protection of its intellectual property. The Company relies primarily on trade secret, trademark and copyright law, as well as confidentiality procedures and

licensing arrangements, to establish and protect its rights to its technology. The Company typically enters into confidentiality or license agreements with its employees, consultants, customers, strategic partners and vendors in an effort to control access to and distribution of its products, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary technology without authorization.

Policing unauthorized use of the Company's intellectual property is difficult. The steps that the Company takes may not prevent misappropriation of its intellectual property, and the agreements the Company enters into may be difficult to enforce. In addition, effective intellectual property protection may be unavailable or limited in some jurisdictions outside Canada and the United States. Litigation may be necessary in the future in order to enforce or protect the Company's intellectual property rights or to determine the validity and scope of the proprietary rights of others. That litigation could cause the Company to incur substantial costs and divert resources away from the Company's daily business, which in turn could materially hinder its business. The Company may be subject to damaging and disruptive intellectual property litigation.

The Company may be subject to intellectual property litigation that could:

- Be time-consuming and expensive;
- Divert attention and resources away from the Company's daily business;
- Impede or prevent delivery of the Company's products and services; and
- Require the Company to pay significant royalties, licensing fees and damages.

Although the Company is not aware that its products or services infringe or violate the intellectual property rights of third parties and although the Company has not been served notice of any potential infringement or violation, the Company may be subject to infringement claims in the future. Since patent applications are kept confidential for a period of time after filing, applications may have been filed that, if issued as patents, could relate to the Company's products or services.

Parties making claims of infringement may be able to obtain injunctive or other equitable relief that could effectively block the Company's ability to provide its products and services in Canada, the United States and other jurisdictions and could cause the Company to pay substantial damages. In the event of a successful claim of infringement, the Company and its customers may need to obtain one or more licenses from third parties, which may not be available at a reasonable cost, if at all. The defence of any lawsuit could result in time-consuming and expensive litigation, regardless of the merits of such claims, as well as resulting damages, license fees, royalty payments and restrictions on the Company's ability to provide its products or services, any of which could harm its business.

The Company is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Company or its licensees with respect to current or future products. The Company expects that software product developers will increasingly be subject to such claims as the number of products and competitors in the Company's industry segment grows and the functionality of products in different industry segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements which, if required, may not be available on terms acceptable to the Company. Any of the foregoing could have a materially adverse effect on the Company's business, results of operations and financial condition.

#### ***Risk of Defects in the Company's Products***

Hardware products as complex as those offered by the Company frequently contain errors or defects, especially when first introduced or when new versions or updates are released. Despite product testing, Acceleware has in the past released products with defects, discovered software errors in certain of its new versions after introduction, and experienced delays or lost revenue during the period required to correct these errors. Acceleware regularly introduces new releases and periodically introduces new versions of its hardware and software. Known errors which

the Company considers minor may be considered serious by its customers. There can be no assurance that, despite testing by the Company and by its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after the commencement of commercial shipments. Undetected errors and performance problems may be discovered in the future. Any such defects and errors could result in litigation, adverse customer reactions, negative publicity regarding the Company and its products, harm to the Company's reputation, loss of or delay in market acceptance or required product changes, any of which could have a material adverse effect upon the Company's business, results of operations and financial condition.

#### ***Risks of Security Breaches to the Company's Network***

An experienced programmer may attempt on occasion to penetrate the Company's network security and could misappropriate proprietary information or cause interruptions in the Company's operations. Acceleware has implemented various means to limit such an occurrence but may be required to expend significant capital and resources to protect against or to alleviate problems caused by such hackers in the future. Additionally, the Company may not have a timely remedy for any security attack on the Company's network security. Such purposeful security breaches could have a material adverse effect on the Company's business, results of operations and financial condition. In addition to deliberate security breaches, the inadvertent transmission of computer viruses could expose the Company to a material risk of loss or litigation and possible liability.

In offering certain payment services for some products and services, the Company could become increasingly reliant on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure transmission of confidential information, such as customer credit card numbers. Advances in computer capabilities, discoveries in the field of cryptography and other discoveries, events, or developments could lead to a compromise or breach of the algorithms or licensed encryption authentication technology that the Company uses to protect such confidential information. If such a compromise or breach of the Company's licensed encryption authentication technology occurs, it could have a material adverse effect on the Company's business, results of operations and financial condition. The Company may be required to expend significant capital and resources to protect against the threat of such security, encryption and authentication technology breaches or to alleviate problems caused by such breaches. Concerns over the security of Internet transactions and the privacy of users may also inhibit the growth of the Internet generally, particularly as a means of conducting commercial transactions.

#### ***Reliance on Third Party Licenses***

The Company anticipates relying on certain software that Acceleware licenses from third parties, including a software program that is integrated with internally developed software and used in Acceleware's products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses, could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could materially adversely affect the Company's business, results of operations and financial condition.

#### ***Requirement for Additional Financing***

Management of Acceleware expects to seek additional funding to support anticipated ongoing losses until Acceleware reaches a level of revenue which will sustain its operations on an internal basis. The rate of growth in the market for Acceleware's products and Acceleware's success in gaining market share, have been less than Acceleware anticipated. Acceleware cannot be assured that additional funding will be available, or if available, that it will be available on acceptable terms. If adequate funds are not available, Acceleware may have to reduce substantially or eliminate expenditures for research and development, testing, production and marketing of its products. There can be no assurance that the Company will be able to raise additional capital if its capital resources are exhausted. The ability to arrange additional financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business and performance of Acceleware. There can be no assurance that Acceleware will be successful in arranging additional financing or that such additional financing will be available on satisfactory terms.

The Company expects to continue to incur operating losses as it focuses on the integration of the Company's products with new channel partners and commercialization and expansion into the oil and gas and imaging markets.

Based on current plans, it is anticipated that total expenses will increase during fiscal 2008 as a result of the factors mentioned above. Management believes that the Company has sufficient resources to fund operations through the end of 2008. However, in light of the inherent uncertainties associated with securing new sales and additional partnership agreements, further financing will likely be required to support the Company's operations in the future.

#### ***Technological Change, New Products and Standards***

To remain competitive, Acceleware must continue to enhance and improve the current line of products. The technology industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render Acceleware's existing products and systems obsolete. Acceleware's products embody complex technology and may not always be compatible with current and evolving technical standards and products developed by others. Failure or delays by Acceleware to meet or comply with the requisite and evolving industry or user standards could have a material adverse affect on Acceleware's business, results of operations and financial condition. Acceleware's ability to anticipate changes in technology, technical standards and products will be a significant factor in its ability to compete. There can be no assurance that Acceleware will be successful in identifying, developing, manufacturing and marketing products that will respond to technological change or evolving standards. Acceleware's business may be adversely affected if it incurs delays in developing new products or enhancements or if such products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render Acceleware's products or technologies non-competitive or obsolete.

#### ***Reliance on Primary Supplier***

The current collaboration with NVIDIA Corp. ("NVIDIA") is viewed as an important contributor to the timely execution of the current business plan. NVIDIA is also the sole source of the Company's digital processor cards. If management is unable to maintain a positive relationship with NVIDIA, the Company will make appropriate adjustments in the execution of its business plan. The Company continues to evaluate other hardware alternatives. However, should NVIDIA fail to supply the digital processor cards in a manner that meets the Company's quality, quantity, cost or time requirements, or if the Company were unable to obtain alternative supplies of these components from other providers in a timely manner or on acceptable terms, this could adversely affect its ability to sell products.

#### ***Reliance on Limited Number of Channel Partners***

The Company derives a significant component of its revenues from three major channel partners (distributors) (that resell the Company's products globally). In aggregate, these three channel partners generated approximately 80% of total revenues for the year ended December 31, 2007. The Company is actively seeking other channel partners to mitigate the Company's revenue reliance on these existing major customers. Should these customers not continue to purchase and resell the Company's products and the Company is unable to attract new channel partners, revenue and the sustainability of the Company would be materially affected in future periods.

#### ***Conflicts of Interest***

Certain of the directors and officers of the Company are or may become directors or officers of, or have significant shareholdings in, other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of the Company and will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

#### ***Price Volatility of Publicly Traded Securities***

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such

companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility.

### ***Earnings and Dividend Record***

The Company has no earnings or dividend record. To date, the Company has paid no dividends on its Common Shares and does not anticipate doing so in the foreseeable future.

### **Transactions with Related Parties**

There were no transactions with related parties during the year-ended December 31, 2007. During the seventeen-month period ended December 31, 2006, raw materials in an amount of \$76,725 were purchased from a company controlled by an officer of Acceleware. Since September 30, 2006, no amount was payable to the related party. These transactions occurred in the normal course of operations and have been recognized at the agreed to exchange amount, which in the opinion of management approximates the fair value of the transaction. The company controlled by the officer had accounts with various hardware suppliers that Acceleware utilized, while Acceleware was awaiting approval from these suppliers to create accounts of its own. Effective May 30, 2006, Acceleware ceased purchasing from the officer's company.

### **Commitments**

Acceleware entered into a premise lease on 9,262 square feet of office space commencing June 1, 2007, and ending on May 31, 2012, a period of five years. The Company secured an additional 2,015 square feet of office space commencing January 1, 2008 for the balance of the term ending May 31, 2012. A rent inducement of \$46,310 was received and will be amortized over the term of the lease and be recorded as a reduction to rent expense. In addition to the basic monthly rent, the Company must pay a proportionate share of realty taxes, operating costs, utilities and additional services. The minimum annual basic rent commitments are as follows:

2008	\$	189,454
2009		189,454
2010		189,454
2011		189,454
January to May 2012		78,939

### **Critical Accounting Policies Estimates**

#### ***General***

The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. The estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

The Company's significant accounting policies are fully described in Note 2 to the Financial Statements. Certain accounting policies are particularly important to the reporting of financial position and results of operations, and require the application of judgment by management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made. Different management estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the consolidated financial statements.

### ***Going Concern Assumption***

The Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependant upon its ability to generate sufficient cash flow to meet its obligations as they come due, to obtain additional financing as may be required, and ultimately to obtain successful operations. However, no assurance can be given at this time as to whether the Company will achieve any of these conditions. If the Company were to change its assumption regarding the ability to continue as a going concern for a reasonable period of time, adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities would likely be necessary and potentially material.

### ***Revenue Recognition***

The Company's revenue recognition requirements pertaining to multiple deliverables and software are very complex and are affected by interpretations of the rules and certain judgments. One of the critical judgments made is the assessment of the probability of collecting the related accounts receivable balance on a customer-by-customer basis. As a result, the timing or amount of revenue recognition may have been different if different assessments of the probability of collection had been made at the time that the transactions were recorded in revenue.

### ***Allowance for Doubtful Accounts***

The Company evaluates the collectibility of trade receivables based on a combination of factors. The Company regularly analyzes significant customer accounts, and, when and if it becomes aware of a specific customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position, a specific bad debt reserve is recorded to reduce the related receivable to the amount that is reasonably believed to be collectible. Reserves for bad debts on all other customer balances are based on a variety of factors, including the length of time that the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. As of December 31, 2007, no allowance for doubtful accounts was provided based on the foregoing analysis. If circumstances related to specific customers changed, estimates of the recoverability of receivables would be required.

### ***Investments – Measurement Uncertainty of ABCP***

As at December 31, 2007 the Company had \$1,444,733, invested in short-term ABCP (rated at the time of purchase by Dominion Bond Rating Service as "R1-High", the highest credit rating for this type of investment). This ABCP was issued by limited purpose trusts sponsored and managed by non-bank entities. These obligations typically have terms of less than 365 days, and repayment of a maturing ABCP is dependent on the cash generated by the trusts' underlying assets and the ability of the trusts to issue new ABCP. In mid-August 2007 a number of sponsors of non-bank managed ABCP, including those in which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets.

As a result, the non-bank ABCP market is currently the subject of an agreement signed August 16, 2007 among a number of affected parties. This agreement, referred to as the "Montreal Proposal", contemplates some form of a restructuring of ABCP with the expressed intention of replacing the investments with long-term floating rate notes with characteristics that more closely relate to their underlying assets. While the Company is not a signatory to the Montreal Proposal, the Company is directly and through counsel monitoring the activities of a committee formed to implement the restructuring.

At this time, there is no market for the ABCP the Company holds and the funds cannot be accessed until such time as the restructuring referred to above has been completed or some other solution is found. The Company is unable to definitively determine if and when this may occur, however, management believes that restructuring will occur by the end of May 2008 and liquidation of our holdings will occur within the next 12 months. As required by Section 3855 of the Canadian Institute of Chartered Accountants' (CICA) Handbook (Canadian GAAP), the Company has re-classified these investments from short-term investments to long-term investments as at September 30, 2007 and, based on the limited quantitative and qualitative information available, we have estimated an impairment of the ABCP as at December 31, 2007 of \$433,420 which may be greater or less than any eventual impairment recognized at the time of sale of the investments (see note 4 to the audited financial statements).

## **Changes in Accounting Policies - Initial Adoption**

### ***Short-Term investments***

Short-term investments consist of Bankers' Acceptance with original maturity dates at the time of purchase that extend beyond three months but less than one year and are classified as held-for-trading financial assets.

### ***Leasehold Improvements***

The Company entered into a lease commitment as of June 1, 2007, and leasehold cost was recorded at cost. Amortization is over the five year term of the lease.

## **Changes in Accounting Policies – Accounting Changes**

### ***Financial Instrument Standards***

Effective January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants (CICA) Section 3855 Financial Instruments – Recognition and Measurement, Section 3865 Hedges, Section 1530 Comprehensive Income and Section 3861 Financial Instruments - Disclosure and Presentation (the Financial Instrument Standards).

Section 3855 describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives and requires that:

- All financial assets be measured at fair value, with some exceptions, such as loans and investments that are classified as held-to-maturity;
- All financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value;
- All derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

Section 3865 establishes standards for when and how hedge accounting may be applied and specifies that hedge accounting is optional. The Company did not enter into any hedge transactions during the year.

Section 1530 describes how to report and disclose comprehensive income and its components. Comprehensive income is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders. It includes items that would not normally be included in net earnings, such as:

- Changes in the currency translation adjustment relating to self-sustaining foreign operations;
- Unrealized gains or losses on available-for-sale investments;
- Gains or losses on derivatives designated as cash flow hedges.

As at December 31, 2007, the balance of Acceleware's accumulated other comprehensive (loss) income is nil, as the Company did not have any items that required inclusion.

The CICA has also reissued section 3860 of the CICA Handbook as section 3861, Financial Instruments - Disclosure and Presentation, which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. These revisions come into effect for fiscal years beginning on or after October 1, 2006.

These new accounting standards did not have a significant effect on the Company's financial results for the fiscal 2007 year. (See note 3 to the audited financial statements that are filed concurrently with this MD&A for further details).

## **Primary Sources of GAAP that Have Been Issued but Have Not Yet Come Into Effect or Have Not Been Adopted:**

### ***Fiscal 2008***

Effective December 2006, the CICA issued three new standards: Financial Instruments - Disclosures, Section 3862; Financial Instruments – Presentation, Section 3863; and Capital Disclosures - Section 1535. These proposed sections carry forward unchanged presentation requirements of Financial Instruments – Disclosure and Presentation, Section 3861; and converge with the capital disclosure-related amendments to International Accounting Standards. Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed and also simplifies the disclosures about concentrations of risk, credit risk, liquidity risk and market risk currently found in Section 3861. Additional requirements include more extensive disclosures about exposures to liquidity, currency and other price risks and an analysis of the sensitivity of net income to possible changes thereto; more specific disclosures about collateral; and details of liabilities that are in default or in breach of their terms and conditions. Proposed Section 3863 carries forward, without change, the presentation-related requirements of Section 3861. Proposed Section 1535 requires the disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. As required, the Company will adopt these new accounting standards for its interim and annual financial statements in fiscal 2008.

### **Goodwill and Intangible Assets**

CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaces CICA Handbook Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes the standards for recognition, measurement and disclosure of goodwill and intangible assets. Under these new standards, internally generated intangible assets may be recognized in the financial statements under certain circumstances. This standard is effective for the Company for interim and annual financial statements beginning on October 1, 2008. The Company has not yet determined the impact of the adoption of this change on these financial statements.

### ***Harmonization of Canadian GAAP to International Financial Reporting Standards***

In 2005, the Accounting Standards Board finalized its strategic plan for financial reporting in Canada whereby Canadian GAAP will converge with International Financial Reporting Standards over a five-year period. The major changeover date is expected to occur in 2011. After this changeover, Canadian GAAP will cease to exist as a separate, distinct basis of financial reporting for publicly accountable companies. The Company will continue to monitor the changes resulting from this transition.

### Disclosure of Outstanding Share Data

As at April 25, 2008, Acceleware had the following common shares, options and warrants outstanding:

Common Shares	42,081,330
Stock Options	3,475,714
Warrants	2,250,000 @ \$1.29 90,000 @ \$1.80 3,076,923 @ \$2.00
Broker Warrants	280,723 @ \$1.30 492,308 @ \$1.30*  *Each Broker Warrant consists of one common share and one-half of one common share-purchase warrant at \$2.00

### Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning the Company's research and development expenses and general and administrative expenses is provided in the audited financial statements for December 31, 2007 that are available on [www.sedar.com](http://www.sedar.com) and as noted below.

<b>Research and Development</b>	<b>2007</b>	<b>2006</b>
Salaries	\$1,422,521	\$777,592
Consulting	\$374,568	\$163,338
R&D lab supplies	\$37,767	-
Stock-based compensation	\$76,375	\$49,044
Rent and overhead allocations	\$262,102	-
IRAP-NRC and SRED Credits	(\$127,288)	(\$279,548)
<b>Total</b>	<b>\$2,046,045</b>	<b>\$740,001</b>
<b>Sales, General and Administration</b>	<b>2007</b>	<b>2006</b>
Salaries	\$2,739,953	\$963,734
Marketing	\$558,082	\$126,882
Travel	\$441,424	\$185,063
Rent, supplies and public company fees	\$649,567	\$255,747
Stock-based compensation	\$422,673	\$141,466
Professional fees	\$483,948	\$314,487
<b>Total</b>	<b>\$5,295,647</b>	<b>\$1,987,379</b>